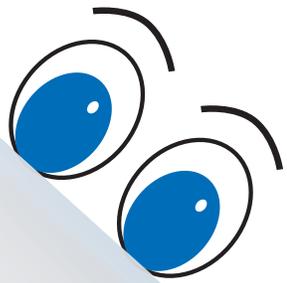


Sneak-peek



Prime Entry Profit (PEP) e-Book

Powerful Option Strategy for the Active Trader

by
Wendy Kirkland



Sneak-peak Prime Entry Profit- (PEP) e-Book

Powerful Call Option Trade Strategy

by

Wendy Kirkland

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PEP Option (Long) Pattern Strategy

The pattern defined in this e-book manual is a portion of the 6 patterns used in the PEP trading program, but it is also a pattern that can be applied to other strategies, perhaps one you are already utilizing.

So if you are interested in a new simple and easy to apply pattern-based-strategy that signals explosive moves, read on.

This strategy uses 30 minute time frame charts and only a couple indicators for entry and exits. It doesn't get any simpler or more effective than that.

The full PEP strategy book covers all the details, trading nuances and complete chart set-up including indicators, oscillators, EMAs and pivot points to establish a successful trading plan, including profit targets, stop loss, expiration and strike price requirements as well as entry and exit signals. This e-book will briefly cover the basics of 1 of the patterns discussed in PEP. An in depth discussion is available in the full PEP manual if you'd like to understand more about the other patterns that pinpoint day-trading these explosive Prime Entry Profit moves.

The PEP strategy is designed for the active trader who is interested in quick moves, up and down, lasting from 1-2 days on average. The point is to capture the exact moment the explosion takes place, where you enter and exit before a reversal price change takes place.

Let's start with Exponential Moving Averages (EMA). Moving averages is a basic concept and this is a good starting place.

Exponential Moving Averages (EMAs)

There are numerous types of support and resistance and we will discuss several of these as we proceed. One type of support and resistance lies with *moving averages*. When we create a chart, we have the choice to set either Simple Moving Average (SMAs) or Exponential Moving Averages (EMAs). For our purposes in this book, we will be using the special EMA lines. The Fibonacci numbered lines-- 8, 13, 21, 34, 55, 89, 144, 233, 377 and 610 exponential moving averages.

I will add this note here for clarification. If you use stockcharts.com as your charting service, they only go up to 600 EMA on their service, but 600 is close enough to 610 for our chart reading.

When the EMAs are applied to a chart, they look like ribbons. You will be amazed at how often these EMA lines absolutely nail the exact area of price movement. If you have been trading for any period of time, you will have heard many traders use 20, 50, 100 and 200 EMAs. Notice that the 21, 55, 144 and 233 are not far off from these numbers. I see it as fine tuning the numbers.

In the left hand corner of a chart, the notation will tell you which type of moving averages (MAs) (either SMA or EMAs) are used and the price that moving average reached.

If an equity is trading above any of the exponential moving averages (EMAs) that are incorporated within the chart, watch what happens when the price reaches the support of the EMA. Likewise, if it is trading below, watch what happens when it reaches the resistance of the EMA. You will notice that the lines act as floors where the price goes no further, ceilings where the price goes no higher, and general areas where the price rests for a period of time.

As you become more familiar with the EMAs, you will notice that the 8, 13, 21 and 34 EMAs work as a short-term unit; the 55 EMA might be considered a very important independent indicator and the 89, 144, 233, 377 and 610 EMAs work as a long-term unit.

Let's apply these Fib EMAs as our first addition to our chart.



The chart above is a 30 minute chart for First Solar (FSLR). Take note of how the 8, 13, 21 and 34 EMAs move in tandem as the short-term unit I mentioned earlier. A cross above and below each other is significant and we will delve into this further as we proceed, but for the moment, look at the bigger picture of when the 8, 13, 21 and 34 EMAs cross the 55 EMA, and then when they cross the larger-time frame unit of the 89, 144, 233, 377 and 610. These crosses above and below the large-time frame unit of EMAs signify major trend changes. A cross above the 610 EMA can be a milestone.

I, also, mentioned the 55 EMA can work as an independent. I think of it as a line-in-the-sand. Notice there was the period between October 23th and 27th where the 55 EMA provided a level of support (a floor) where the price was not able to break down below it. The price dropped to touch this line several times, but could go no lower.

When the EMAs are lined up in downtrending-order like they were between October 9th and October 16th, you can be sure the price will go lower, until the EMAs start to curl and cross each other on the way up. So, too, as long as they are in uptrending-order like they were between the 30th and the 31st of October, you can trust the overall direction will be up until the short-term unit of EMAs cross over each other and start heading downward.

Begin to rely on and trust your instincts as you look at the charts. You don't need to have a financial background to be able to read and decipher what the charts are telling you.

Trust you will absorb this information easily and will be able to apply it successfully in your trading.

When you look at or think of yourself and feel dissatisfaction about any part of you, you will continue to attract feelings of dissatisfaction, because the law mirrors back to you exactly what you are holding inside.

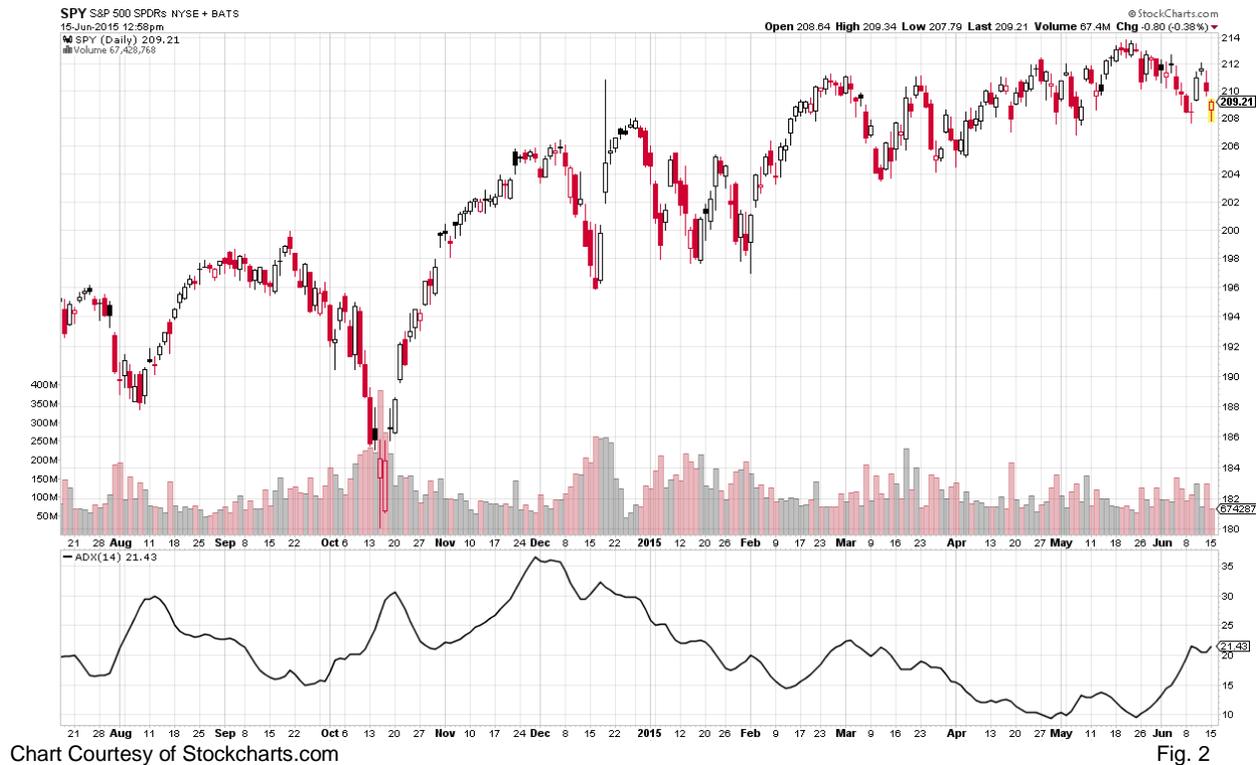
Be in awe and wonder at the magnificence of you!

The first indicator we'll discuss is the Average Directional Index (ADX). ADX comes in two forms. The simple ADX line which shows momentum or the energy of a move (without determining whether that move is up or down). The more complete ADX adds two other lines which are directional lines, showing whether the momentum is bullish (green) or bearish (red).

I will post charts that shows both types and then, we will concentrate on the ADX with DI lines.

ADX Lines

Notice when the ADX line is heading up, there is energy behind the move. When the line drops, energy is coming out of the move and when it flattens out the equity usually is consolidating or trading in a straight line.



Next, I will add a chart with Directional Index lines.

Now take note of the times when the ADX line is heading up and when the +DI (green) (bullish) line is in control by being on top. Also, note when the -DI (red) (bearish) line is leading by being on top. Then, watch what happens to the trend when the ADX line weakens by heading down or goes flat.

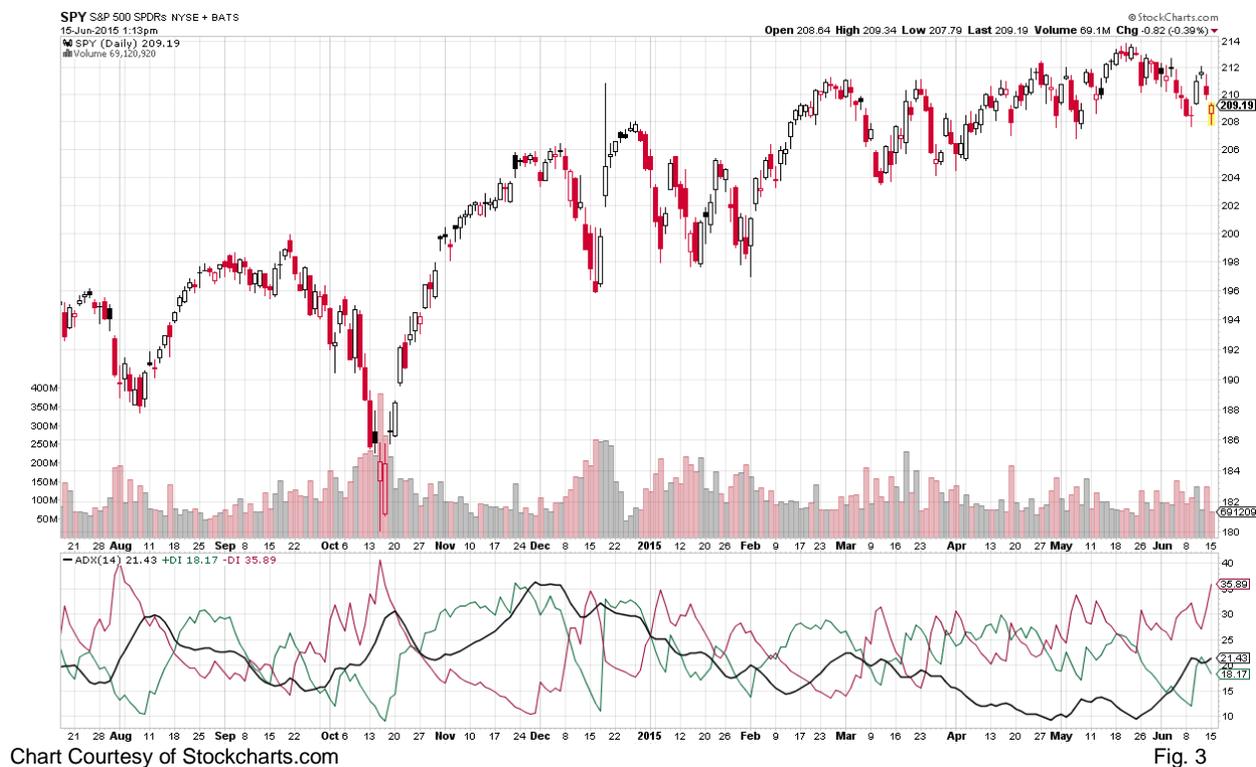


Chart Courtesy of Stockcharts.com

Fig. 3

Average Directional Index or ADX

Okay, here we go, hang on to the rails, the Average Directional Index (ADX) determines the strength of a trend, whether it's trending up or down or trading sideways. As an oscillator, the ADX fluctuates between 0 and 100, but readings above 60 are relatively rare. Low readings, below 20, indicate a weak trend and high readings, above 40 indicate a strong trend.

Studying the ADX you'll note that the ADX indicator does not rate the trend as bullish or bearish, but merely assesses the strength of the current trend. In other words, a reading of 40 can indicate a strong down trend as well as a strong up trend.

To determine in which direction the trend is flowing or to indicate a change in direction, two other lines are added to the graph. Usually two different colors, green for bullish and red for bearish, they represent respectively a Positive Directional Index (+DI) or Negative Directional Index (-DI).

As these green and red lines cross each other and the ADX trend line, we are able to determine not only the strength of the trend, but in which direction it will head before it fully takes place.

- When the green +DI crosses upward over the red -DI and/or the black ADX trend

strength line, we can expect the trend will be up.

- When the green +DI line, crosses downward and the red -DI moves upward and crosses over the black ADX trend strength line, we can expect the trend to fall.
- On occasion it happens that the DI lines will touch each other prior to crossing and they will act as resistance and will bounce off each other, resuming the previous trend direction.
- There are other times that the DI lines braid as they swim up and down struggling to be the dominant direction. When this happens the price most often goes flat and trades in a tight range.

The ADX is special enough that it will be added twice to our chart. The basic chart set up will be covered before long. We have one more indicator to cover, and then we will create our chart template.

As these indicators are applied to our charts, their movement and the information they impart will become crystal clear. Hang in there. These indicators are going to create a picture that you will be able to spot as it is forming.

The default setting for ADX is 14 period and I am going to tweak this to 13 which is a Fibonacci numbers.



Chart courtesy of Stockcharts.com

Fig. 4

I will post the chart again without all the big text boxes so you can get a better view of the information and how the different indicators work together. Notice that the DI lines foretell a change in direction before the actual change, but on occasion, they can braid, weaving back and forth as price goes flat because the two directions are battling it out.





Chart courtesy of Stockcharts.com

Fig. 6

This might seem like a lot of information to absorb. Take it slow. Before you know it, your eyes will be circling around the chart in quick motions, gathering the information that your mind's eye will absorb and analyze instantly. Then it will slow and zero in on the important portions. This analyzing ability comes rather quickly when you spend just a little time looking at charts. One day they seem to be foreign and confusing and within a short time, they become old friends that comfortably share their story. Hang in there. It will happen!

Next, we will add the Percentage Price Oscillator (PPO).

Percentage Price Oscillator (PPO)

I present this oscillator as one of the main components of the Squeeze pattern for the PEP strategy. For traders who are familiar with the MACD and prefer to use that indicator instead of the PPO, they are welcome to do so. I prefer the PPO. The PPO is similar to the MACD but uses a more complex, but more reliable formula; it's based on the percentage difference between two moving averages over a given period of time. It uses two lines, one thicker and one thinner, to display its information as well as a series of blocks located beneath the lines called the histogram.

The PPO is an indicator that either confirms or contradicts the signals given by the special Fib exponential moving averages that we have inserted into our charts. As a momentum indicator, it's one of the simplest and most reliable indicators available.

The PPO is a *lagging indicator*, meaning it uses information based on a stock's past performance. This lagging indicator turns into a momentum oscillator and functions by tracking the amount of difference between the short term moving averages and a longer term moving average, often the 12-day MA and the 26-day MA. The results form a line that oscillates above and below "zero," without any upper or lower limits.

This equation is represented by a thick line. The other time period is included as a reference point, seen as a thinner line. If the PPO is positive and rising, then the gap between the referenced time periods widens.

- When the thicker line moves up, positive (bullish) momentum is building for that underlying stock or index.
- When the thicker line moves downward, then the negative gap is widening, so we see negative price (bearish) momentum.
- When the thicker line crosses upward over the thinner line, we see that as a signal to buy. This buy signal will often confirm other buy signals depicted on the chart.
- But, when the thicker line crosses the thinner line in a downward slope, we see a signal to sell, depending on the option's expiration time frame.

You'll see two graphs within the PPO chart. One is formed by moving averages and the other is a *histogram*, which notes what has transpired previously on a shorter trigger exponential moving average (EMA).

The *histogram is the bar chart along the bottom of the PPO graph*. The size of the bars fluctuate above and below the "zero" line. These bars are another way of expressing the relationship between the PPO equation and an equation using a 9-day exponential moving average.

- If the shorter moving average (the thicker, dark line) is above the longer moving average (the thinner, lighter colored line), the PPO histogram will be above the "zero" line, or positive.
- If the shorter moving average is below the longer moving average, the PPO histogram will be below the "zero" line, or negative.
- The PPO histogram compares the PPO number equation with the 9-day EMA. If

the value of the PPO is greater than the 9-day EMA, the histogram will be above the “zero,” or positive.

- If the value is less than the 9-day EMA, the histogram will be below the “zero,” or negative.

Signals in the histogram to watch for:

- 1) Positive divergence that precedes a Bullish Moving Average crossover on the PPO. A positive divergence (ever higher lows) in the histogram indicates that the PPO is strengthening and could be on the verge of a crossover.
- 2) Negative divergence (ever lower highs) that precedes a Bearish Moving Average crossover. A negative divergence in the histogram indicates that the PPO is weakening in momentum.
- 3) Broadly speaking, a widening gap indicates strengthening momentum and a shrinking gap indicates weakening momentum. Usually, a change in the histogram precedes any change in the PPO.
- 4) The main signal generated is a divergence on the histogram followed by a moving average crossover.
- 5) Keep in mind that a centerline crossover on the histogram represents a moving average crossover for the PPO.

The size of the histogram bars and the shape they create give visual clues, representing the expected movement of the moving averages.

If you are feeling overwhelmed, just let this basic indicator information settle in, we will get into the specifics and how to use the information when we apply the indicators to actual trade set ups. Once you begin to absorb the basic information, you can come back and reread the specifics. It is all part of the detail-layering-process.

The drawbacks or down-side to PPO’s histogram is that it is a second derivative, based on the PPO’s equation of the price action of the underlying stock or index. The further removed an indicator is from the underlying price action, the greater chance of a false signal.

Because the histogram was designed to anticipate PPO’s signals, the temptation exists to paddle beyond the wave, getting in too soon. But, by acting only on short-time frame chart signals that have a confirmation before entry, you will have a great chance for trading success. You will see this in action as we proceed. But, please, understand,

the histogram signals need to be taken as part of a whole evaluation. Don't be tempted to plunge in on just the histogram information.

We are going to tweak the default PPO numbers to 13, 21, 8 (Fib numbers).



Chart courtesy of Stockcharts.com

Fig. 7

As mentioned, the histogram blocks within the PPO are a leading aspect of the indicator. Notice early on the 20th of October that the histogram suggested the rise experienced on the 17th through the 20th was over and that a down move was going to take place. The histogram blocks shortened and quickly crossed the zero line.

Study each indicator to see which one gave the first hint that a change was forming. Then which one happened next. Which one followed?

Now that we have the PPO in place, we are going to add another ADX indicator. Yes, we want two of them, one above the PPO and one below. This will be explained later on. But for now, just know that the line-up of indicators is an important element to

the PEP strategy, allowing us to ride a wave up and down

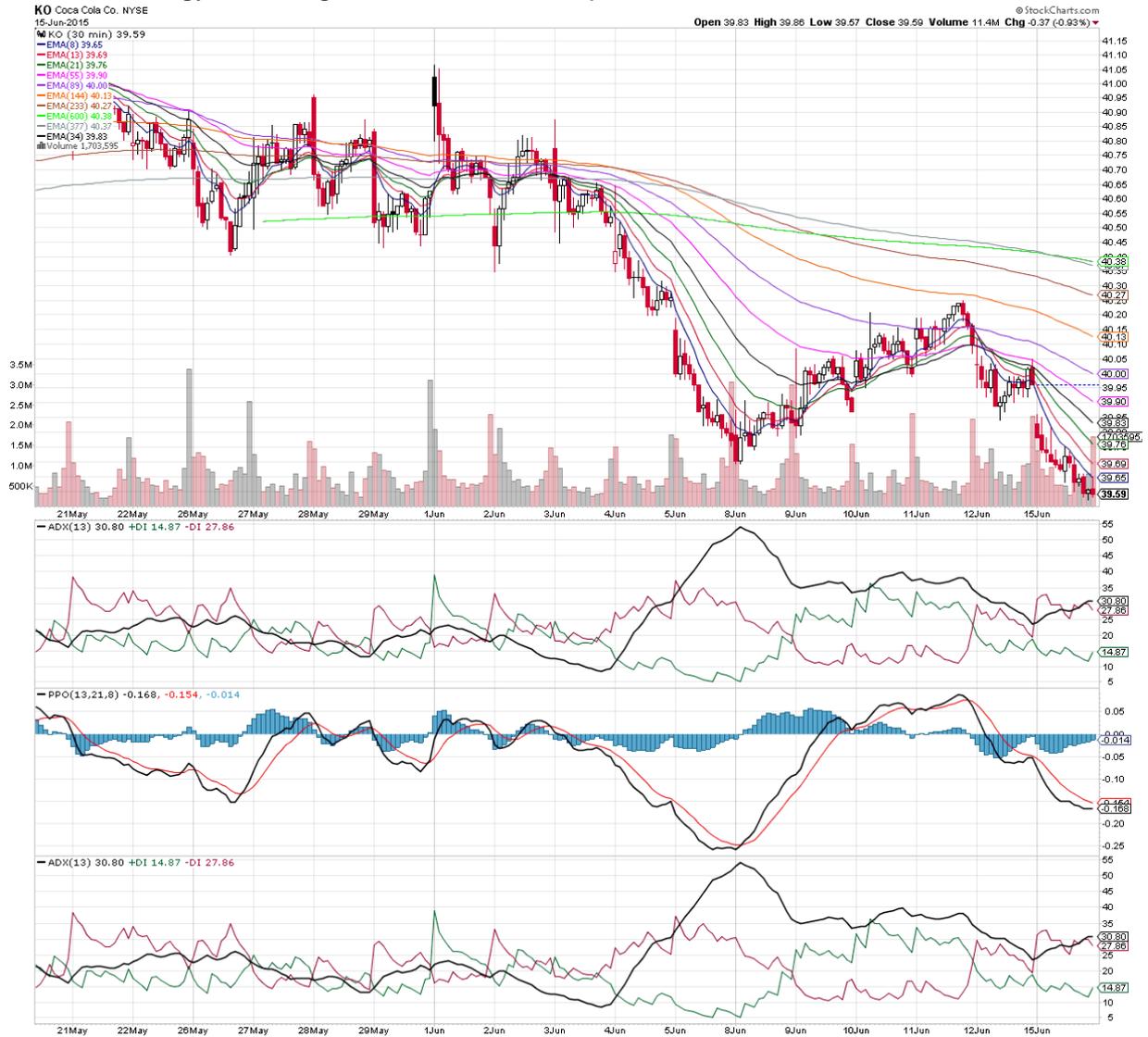


Chart courtesy of Stockcharts.com

Fig. 8

This concludes the chart set-up for the Squeeze pattern outlines in this PEP e-book. In the full strategy book there are a couple other indicators that are added to help qualify stock candidates and to confirm successful entry and exits on the other chart patterns. There are 5 additional trade patterns included in the full PEP strategy and these indicators are necessary for them. The inclusion of 6 trade patterns gives a trader opportunity to always find winning trades on a focused list of stocks with big moves.

Before we start our discussion on the specific pattern seen on the charts, give me a minute to mention a Trader's Mindset.

Trader's Mindset

Have you ever had to give "tough love" to someone you cared for - to tell them a truth that seems harsh but comes from a good place?

As a teacher/trader, I have to do this all the time.

Often, I have to tell traders to stop obsessing about their "limiting beliefs."

I also have been known to call our erroneous "**Belief System**" **BS**.

Traders say things like, "Wendy, my beliefs about failure are sabotaging me."

To which I cringe and reply, "Is it really about your limited belief? Or is it about a limited vision for yourself?"

Thoughts like I am too old... too young... not educated enough ... poor health ... too busy... too tired ... too broke ... and the list of self-defining, limiting beliefs goes on and on.

Now, clearly, I'm painting a stark contrast. There *is* good reason to overcome bad beliefs AND focus on our strengths. That combo is a one-two punch in personal development.

But I do believe it's time we move past the silly idea that we have to quash all our weaknesses, insecurities, doubts, limitations, and fears before we can proceed swiftly on the path to greatness and contribution.

In fact, every high performer I know **STILL** has doubts and so-called "limiting beliefs." If they didn't, they wouldn't be human, vulnerable, real. The issue isn't whether we have them, but whether or not those beliefs win or our vision and growth-goals wins. We need to work at refocusing our attention on possibilities and being open to breaking through self-imposed boundaries.

So the challenge with working with new traders is to redirect their focus, broaden their vision, give themselves permission to exert their true strength to achieve success which leads to Financial Independence.

Any words you speak have a frequency, and the moment you speak them they are released into the Universe. The law of attraction responds to all frequencies, and so it is also responding to the words that you speak.

When you use very strong words, such as "terrible," "can't" and "don't have" to describe any situation in your life, you are sending out an equally strong frequency, and the universal law of attraction must respond by bringing that frequency back to you.

The law is impersonal, and simply matches your frequency. Do you see how important it is for you to speak strongly about what you *want*, and not to use strong words about what you *don't* want?

Chart Set-up

The next chart is the set-up to use to begin to recognize the patterns for a quick day-trade move. Below it I will post the lower portion of the chart that gives you the exact parameters needed to duplicate the chart either at StockCharts.com or on your charting service.

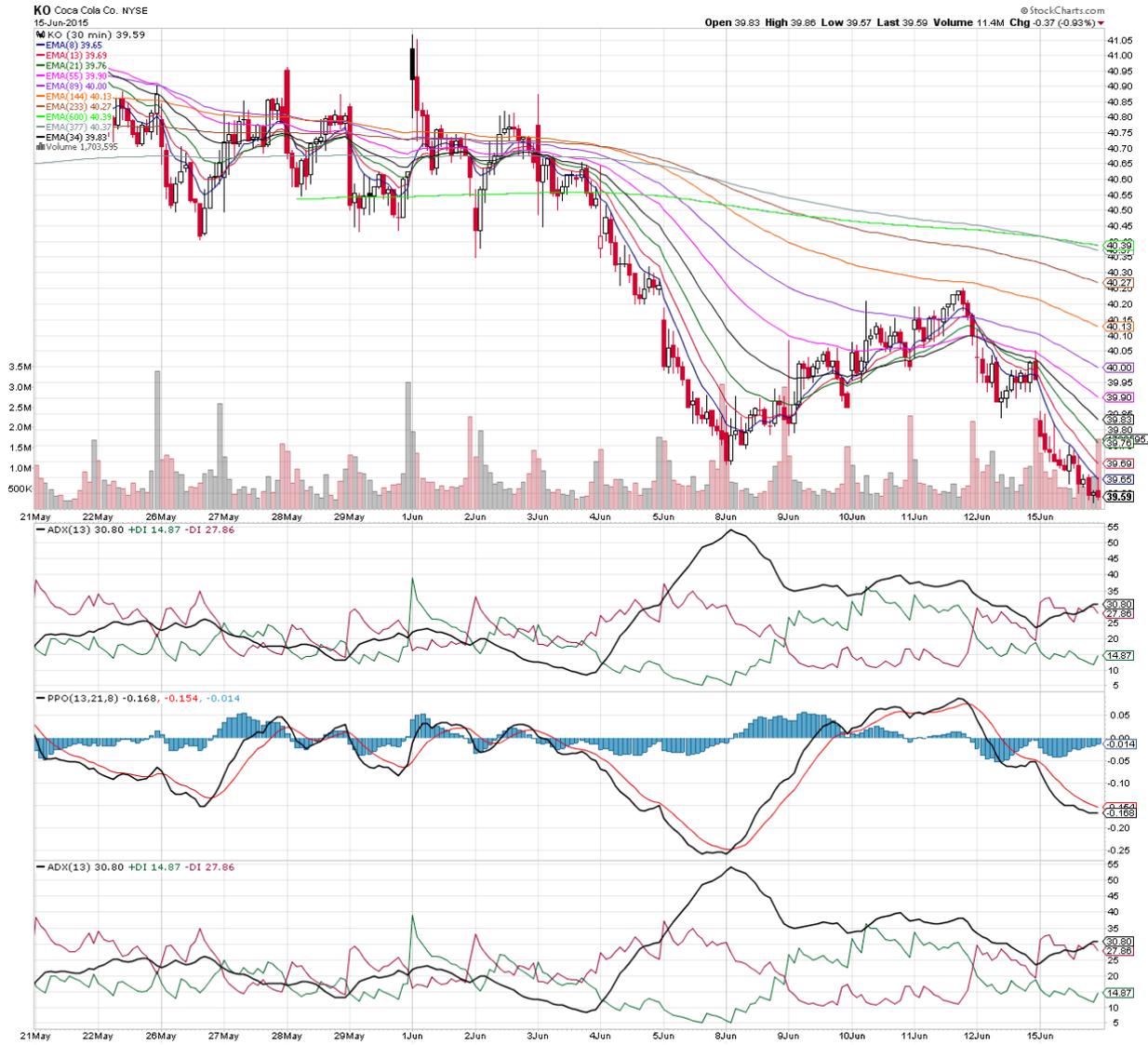


Chart Courtesy of Stockcharts.com

Fig. 9

Chart Attributes

Period: 30 min | Range: Select Start/End | Start: 2015-05-21 | End: 2015-06-15 | Extra Bars: Per | May

Type: Candlesticks | Size: 1280 | Color Scheme: Default | Up Color: Auto | Down Color: Auto | Opacity: Auto | Grid: Normal | Legends: Default

Volume: Overlay | Full Quote | Price Labels | Log Scale | Solid Candles | Color Volume | Smoothed Lines | Y-Axis Labels | Zoom Thumbnail

Overlays

Exp. Moving Avg	Parameters	Reorder	Style	Color	Opacity
Exp. Moving Avg	8	Auto	Auto	Auto	Auto
Exp. Moving Avg	13	Auto	Auto	Auto	Auto
Exp. Moving Avg	21	Auto	Auto	Auto	Auto
Exp. Moving Avg	55	Auto	Auto	Auto	Auto
Exp. Moving Avg	89	Auto	Auto	Auto	Auto
Exp. Moving Avg	144	Auto	Auto	Auto	Auto
Exp. Moving Avg	233	Auto	Auto	lime	Auto
Exp. Moving Avg	610	Auto	Auto	Auto	Auto
Exp. Moving Avg	377	Auto	Auto	Auto	Auto
Exp. Moving Avg	34	Auto	Auto	Auto	Auto

Indicators

ADX Line (w/ +DI and -DI)	Parameters	Position	Reorder	Color	Height	Opacity	Overlay	Parameters
ADX Line (w/ +DI and -DI)	13	Below	Auto	Auto	Auto	Auto	None	
Pct Price Oscillator (PPO)	13, 21, 8	Below	Auto	Auto	Auto	Auto	None	
ADX Line (w/ +DI and -DI)	13	Below	Auto	Auto	Auto	Auto	None	

Reset All Heights: Auto | Set

The Chart Attributes on the image above shows the tweaked parameter numbers that we will be using in the PEP strategy.

Let's move on to the pattern for entry and exit for these quick trades.

PEP Pattern - Long

We are going to discuss the first pattern of the 6 patterns included in the main PEP strategy book.

The first pattern is the long Squeeze pattern. The Squeeze is a pattern I've written about before. The more I trade it, the more I learn and discover about it. The Squeeze goes through 7 distinct stages. The tradeable stage for this strategy is stage 4 of the 7 stages.

Let me describe what we are looking for and then I will add information about the earlier stages.

For this pattern we are going to be using the ADX that is "below" the PPO indicator. It is evident that PPO and ADX are individual indicators and have nothing to do with each other. They are used independently in the information they share about the equity's price movement. That said, some time ago, I discovered when placed together, lined up as we have them, they create a unique pattern.

When an equity goes through a price drop of adequate size, the PPO crosses over its signal line and heads down. At the same time, the ADX momentum line rises as the bears show their strength. This movement in indicators create what I call the Squeeze where the lines come close together.

At times this closeness is really tight and at other times, there is more space between the lines. As we begin to look at charts with the Squeeze pattern forming, you will quickly begin to recognize the pattern set-up.

I will circle the pattern on a few charts and then we will discuss the needed elements for entry and exit to profit from the move.



Chart Courtesy of StockCharts.com

Fig. 10

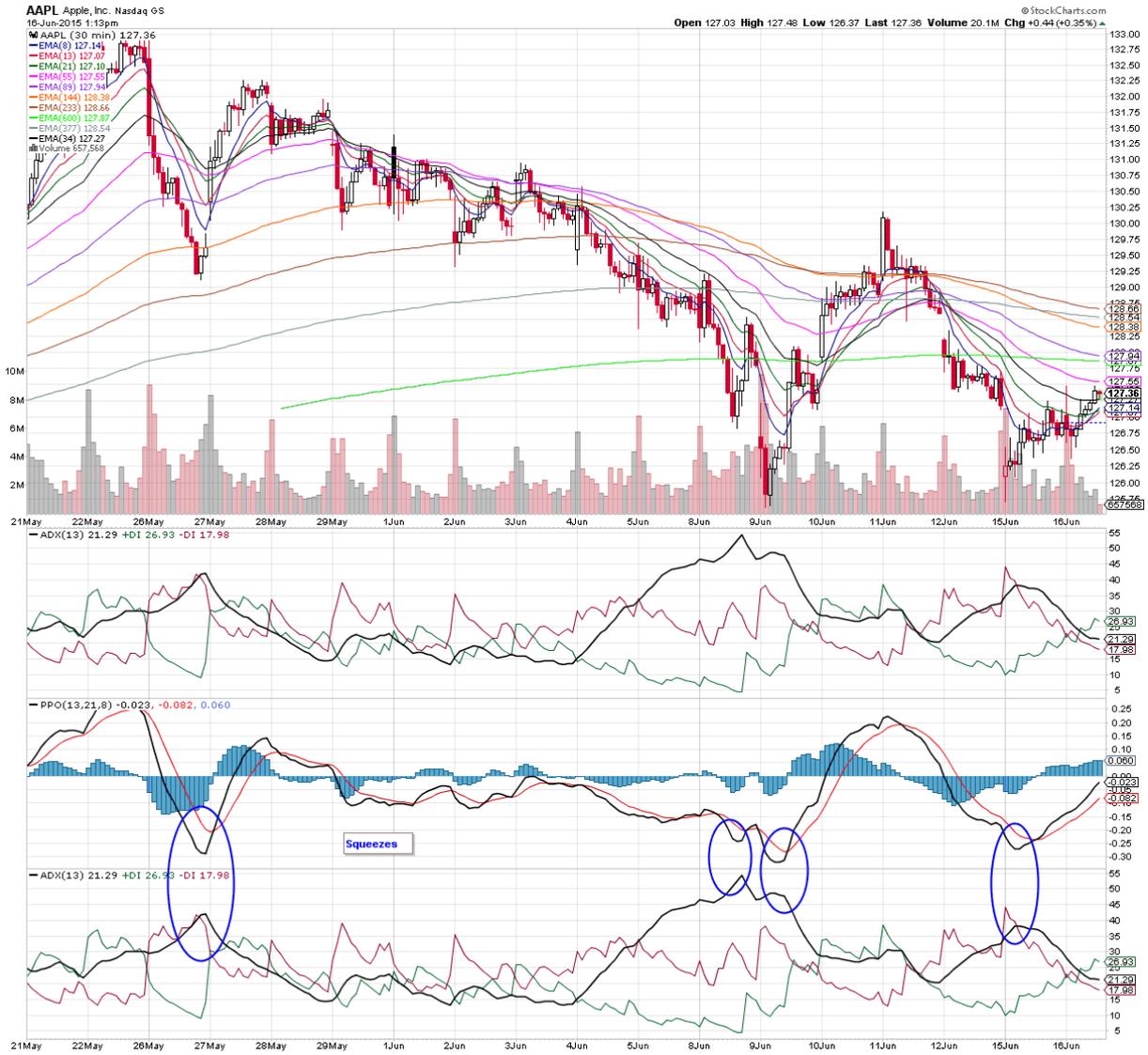


Chart Courtesy of Stockcharts.com

Fig. 11

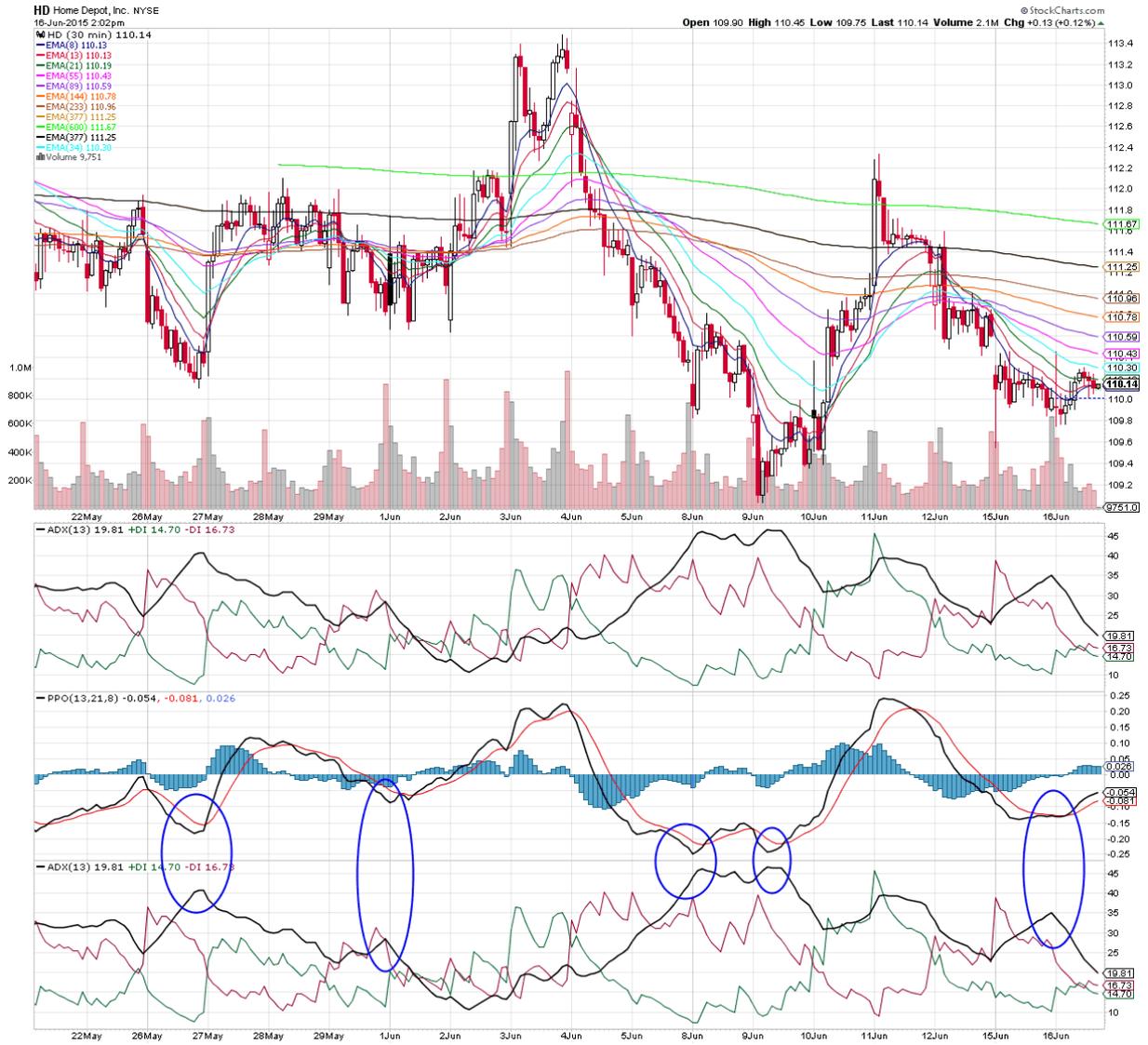


Chart Courtesy of Stockcharts.com

Fig.12

I am sure you can already pick out the pattern on the chart. On the next chart, I will leave it blank so your eyes begin to distinguish the squeeze areas without the help of circles.

Look for the areas where the PPO and ADX come close together.

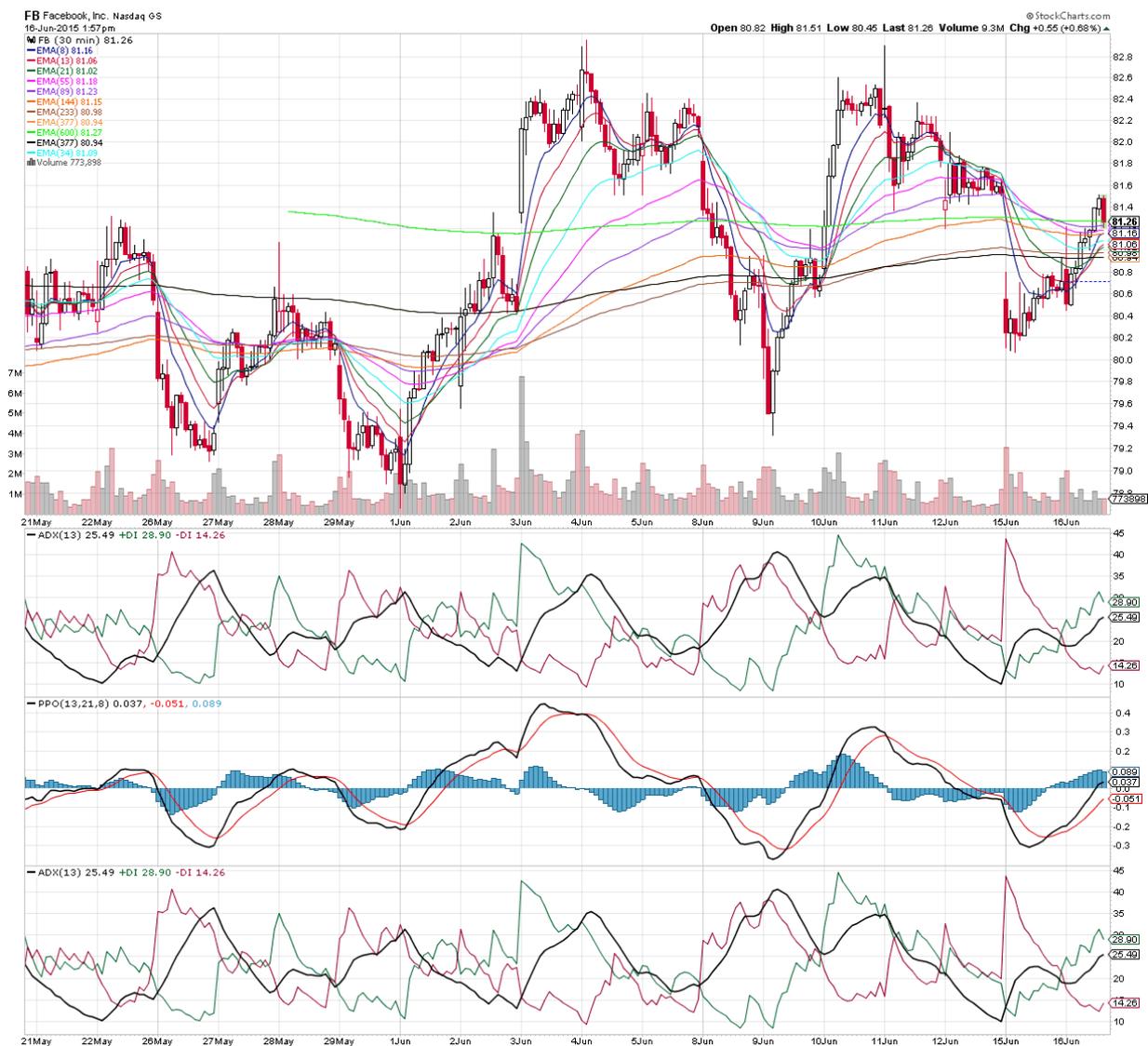


Chart Courtesy of Stockcharts.com

Fig. 13

Facebook (FB) has 4 squeezes on the chart above. Were you able to pick them out?

Now that you recognize the squeeze pattern, go back over these few charts again and pay attention to what happens when the PPO and ADX lines begin to push away from each other and when the PPO crosses back up and over its signal line.

When the PPO and ADX lines push away from each other and PPO crosses over the signal line, Price moves up. An extended upward move happens after the ADX +DI crosses over the -DI line. This is our entry.

Entry prior to a +DI cross can result in weakness developing and a resqueeze as the PPO crosses back down.



Chart Courtesy of Stockcharts.com

Fig. 14

Let's see what happens on June 16th if the lines push away from each other and if PPO crosses up and over the signal line and the +DI crosses over the -DI line.

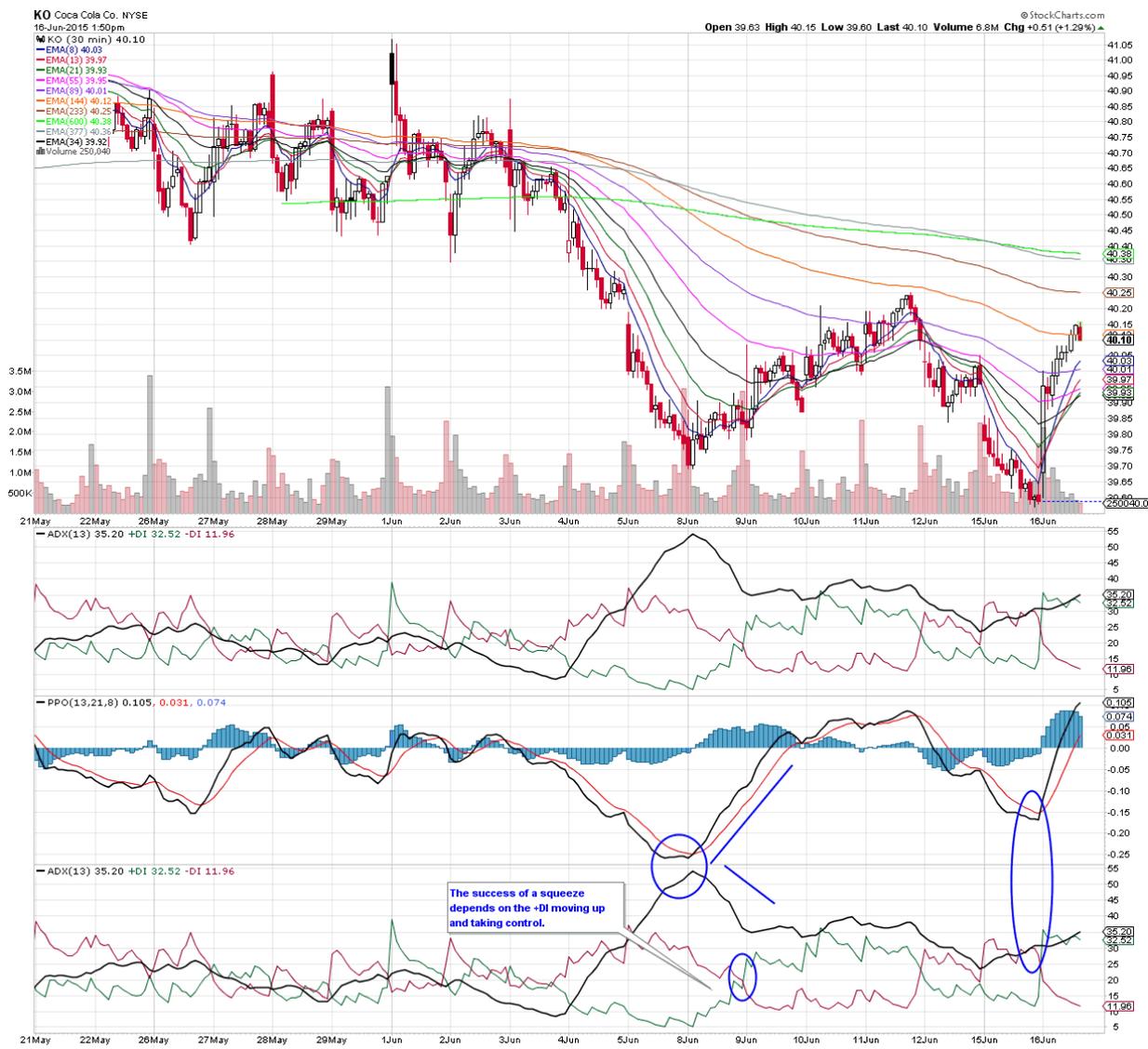


Chart Courtesy of Stockcharts.com

Fig. 15

As seen on the chart above, the line briefly pushed away (very-very quick on open) and then momentum moved in and the ADX line promptly turned up as the +DI crossed the -DI line. It isn't often that the ADX line turns this quickly but it is a great example of strength and a momentum build-up in the trade.

Let's look at a few other charts that show this quick pop up and then I will discuss the squeeze stages that lead up to this explosive move and then we will focus on when to exit the trade.



Fig. 16

Notice what happens to price when the +DI lines crosses the -DI line and really takes control by remaining above the -DI line

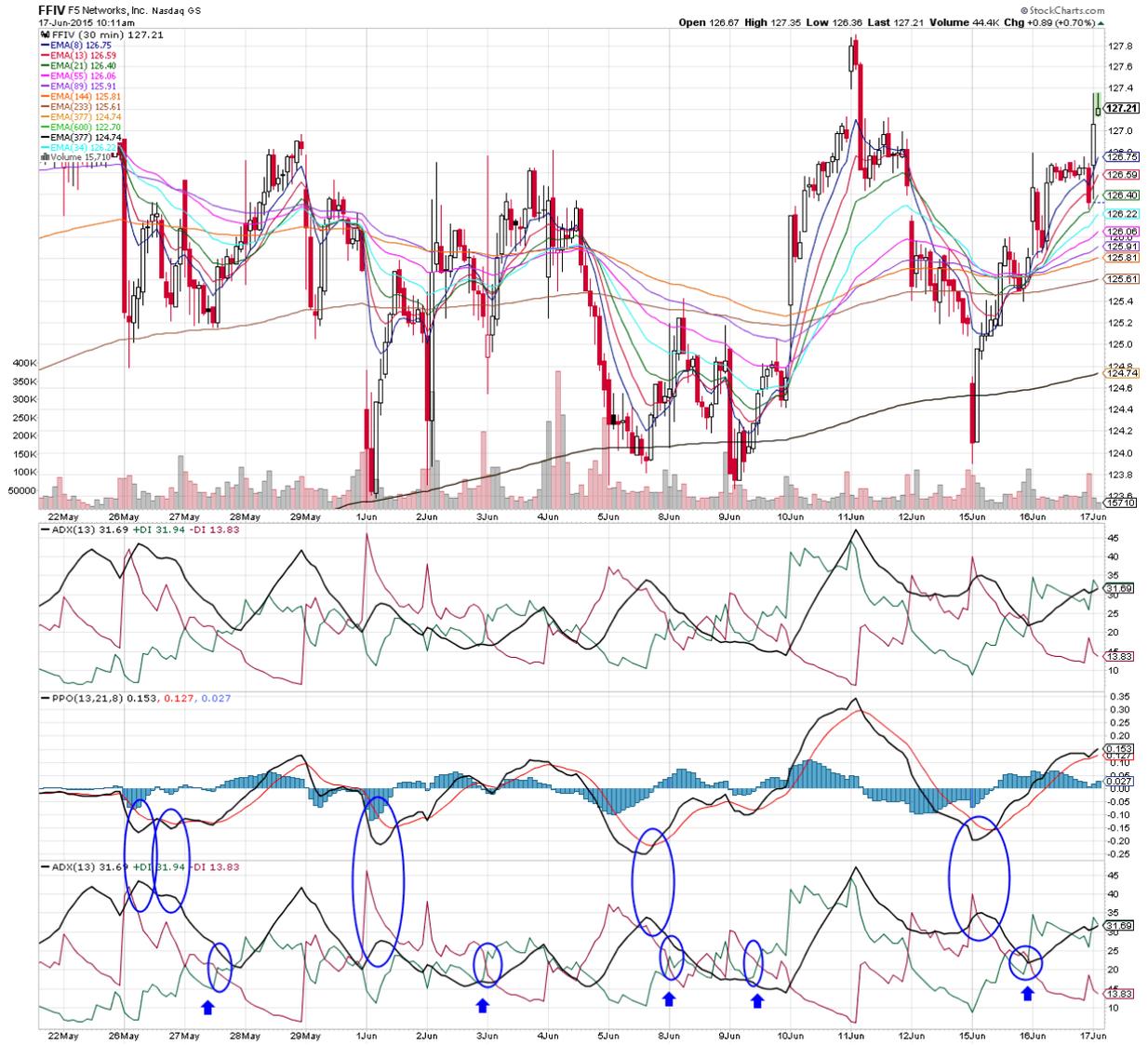


Chart Courtesy of Stockcharts.com

Fig. 17

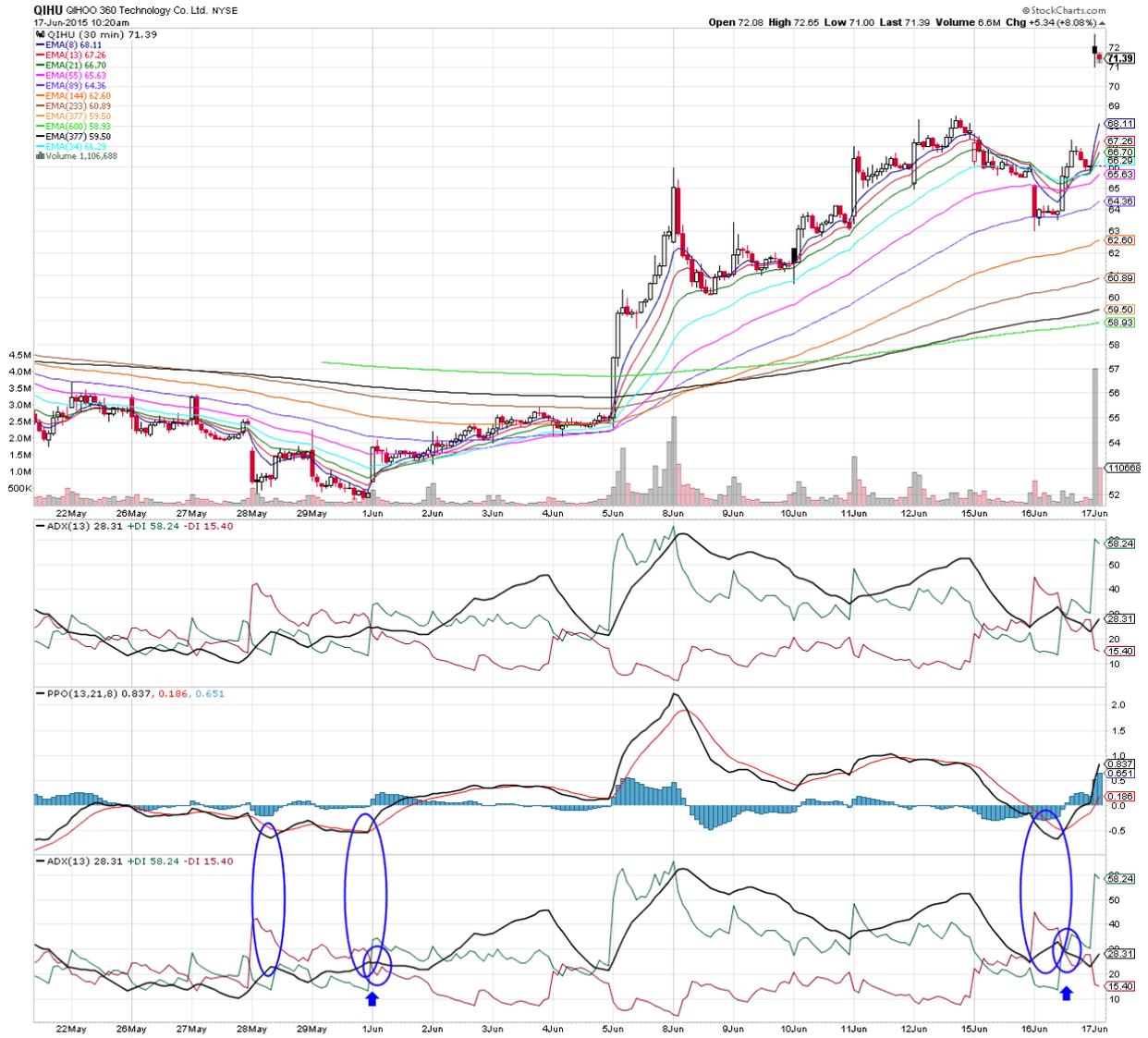


Chart Courtesy of Stockcharts.com

Fig. 18

By waiting for a +DI cross, you would have been kept out of a false trade on May 28th. June 1st through the 5th was the big move.



Chart Courtesy of SStockcharts.com

Fig. 19

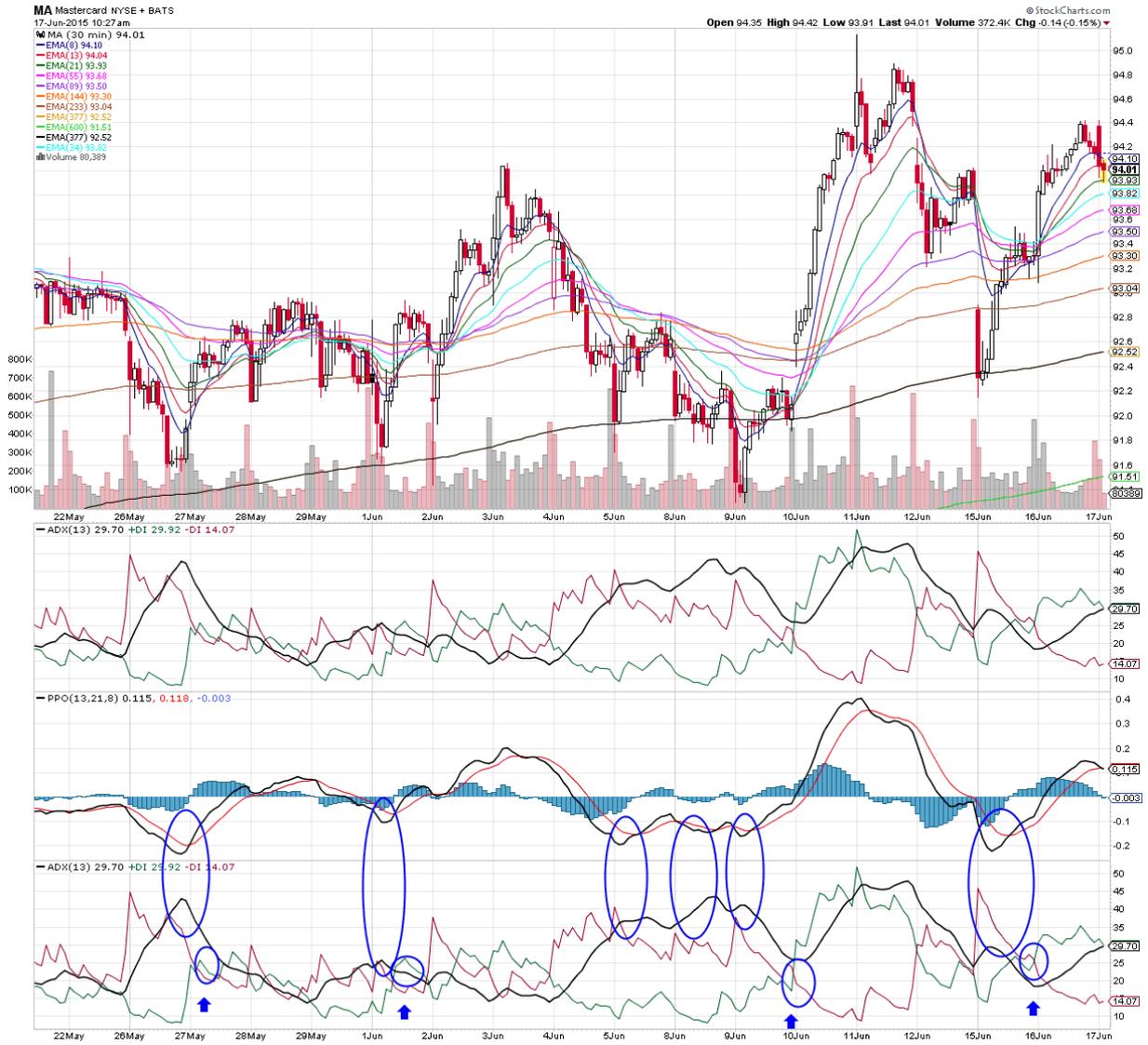


Chart Courtesy of Stockcharts.com

Fig. 20

Notice from June 5th to the 9th that the +DI did not cross the -DI line despite the fact that there was 3 squeeze patterns that formed. It wasn't until June 10th that the +DI finally stepped up and took control. It was then that Price started to gain strength.

Let's move on to the first stages of the squeeze pattern and then we'll discuss exit signals.

First Pattern Stages that Form the Squeeze

What creates a Squeeze?

1. The PPO and ADX black (thick) lines come close together.
2. The PPO line crosses up over its signal line and the ADX black (thick) line pushes away from the PPO line as if it is repulsed by it
3. As the Squeeze continues to unfold, the PPO and ADX lines will move further and further away from each other
4. It is only when the +DI line turns up and eventually crosses over the -DI line that the price will “really” move upwards. The PPO line cross itself can only take the Price so far. If the +DI falters and doesn't continue by taking control, the squeeze is likely to fail and resqueeze because the price will go flat or head back down.

Stage 4 is our entry point. Once the +DI crosses the -DI line after the PPO has crossed up and over the signal line, we can enter on this confirmation signal with a level of assurance that there will be a quick burst upward.

There are times that the pattern will falter and resqueeze. This is seen not only when the +DI crosses back over the -DI but also when the PPO crosses down over the signal line.

A cross down of the PPO line over its signal line is a line-in-the-sand stop exit. Over the next day or two, the PPO may cross up again, but it is better to take a small loss and then reenter when the equity confirms again with a PPO and +DI cross up. Often as an equity starts to move, there will be some waffling of the DI lines, sometimes they braid back and forth before the +DI takes control, but when the PPO crosses down a trader is wise to take a small loss that will be quickly recouped when Price does make an upward move.

Now you might be wondering what I mean by line-in-the-sand. Loss and risk management are subjective, meaning each trader has his own level of comfort. Some traders can't handle more than a 15% loss and other are okay with 50% and many others fall somewhere in between. For me, a PPO cross down means the price's direction has turned against the direction of the original trade and it is time to exit.

There are times when the PPO line will drop and test the signal line as an area of support, which is why I hold out for an actual cross down with a some white space between the lines. If your tolerance for loss is less than what comes with a PPO cross down, then stick with your own loss-comfort-level. There will be other profitable trades to recover the amount lost.

Profit Targets

We've discussed stop losses which is used when the trade turns against you before you have earned a profit. So how do you know when to close the trade once you have earned a profit?

Some traders set a percentage gain. Example: on each trade they would like to earn 25% on their total investment. If they pay a premium of .80 per share or \$80 per contract and purchase 8 contracts for \$640, they will set a sell order for \$1 per share. On this trade, they will make a profit of \$20 per contract or \$160 on their 8 contracts.

If a profit percentage appeals to you, you can put in a sell order at the same time that you place your original trade order.

As a matter of fact, you can set a stop as well as a profit target at the same time by using a "one-cancels-other" trade order (OCO).

Another way to take profit and close a trade is to set a trailing stop. This is a service brokers provide where the sell order floats a certain percentage below the current price. You set the percentage. If price drops to hit the stop amount, the broker will close the trade.

There are two disadvantages to trailing stops. One, if you set the amount too close to the current price, market-makers can manipulate price, trigger the trailing stop and soon price will recover and continue to head up. Two, if price gaps down, it can jump right over your trailing stop amount and the trade won't be closed as you expected.

If a gap down should happen, you will have to cancel the trailing stop and place a sell order to close the trade.

Another profit target method is to evaluate the chart for recent resistance areas and set a profit target just below that level if the amount is satisfactory for an adequate profit. Or, perhaps, you feel that price will cruise through the closest resistance and your profit target will be the next resistance area.

Traders who are able to monitor the charts can watch for the explosive price burst to take place and continue to watch for weakness to set in. Weakness can be seen as a couple of red candles or a bearish candle pattern formation, and again, a firm signal to close is a PPO cross down.

It is important to know, we are not trading the full movement of the Squeeze pattern as it unfolds going through all its stages, we are aiming to capture the initial pop as the PPO and +DI cross. Get in and get out is the trade goal.

Another way to catch building weakness in the 30 minute chart is to step down to a 15 minute chart once the trade moves into profit. The 15 minute time frame PPO will cross down before it does on the 30 minute chart and will suggest in all likelihood the 30 minute PPO will cross down if price stays on its current course, so you would exit on the 15 minute signal.

Which Option Expiration & Strike Do I Choose?

After years of trading, I've figured out it only takes a equity price move of approximately 2.5 to 4% for a weekly option premium to double. Every trade won't end up being a double or higher, but it often does. Looking at it a different way and this gives me a level of assurance, it only takes a move of 1.25 to 2% to earn 50% on my trade and that can easily happen in a day or two with the PEP strategy.

Since most trades last 1-3 days tops, I select a weekly option that expires a full week to 2 weeks out. This gives extra time for the trade to develop or go flat and not be effected by accelerating time decay. The extra time gives a buffer.

I often select the strike price that is at-the-money. This is usually the strike that is one out-of-the-money and it has extra leverage as it moves in-the-money.

As seen in the charts we have looked at, I find this strategy works best on the 30 minute chart. The pattern and strategy can be applied to other time frames, longer and shorter term, but if you try another time frame chart, I suggest you paper trade or virtual trade to test the moves and the time the trades take within that time frame.

Trade Sample

3M (MMM) had a +DI cross on the 16th of June and price started to rise. On the 17th, the Fed released the minutes from their meeting at 2:00 pm. Price dropped before the news release and promptly rose afterwards.

A trader could have closed the trade when price started to drop before the news and the trade would have closed at about even once fees were covered. The PPO line

crossed down over its signal line in this pre-news adjustment. A trader, if he didn't sell before the drop, could have held to see if price would recover as it often does after the news was digested by traders.

In this case there was very little white space between the PPO lines and within 60 minutes the lines turned up and price recovered, moving to daily highs. The next day price gapped up and continued to rise.

Midday, price popped above 600 EMA and began to weaken and it was time to take profit.

This trade was opened on the 16th and closed on the 18th.

On the 16th of June, the premium for the June 4th week expiration that expired in 11 days was .65 when the trade was opened. On the 18th, when the trade was closed the bid premium was 2.69. The gain on this trade was 2.04 per share or \$204 per contract. This was a gain of 314%. This profit was earned on a approximately 3% rise in the stock's price.

The chart below illustrates the trade.



Chart Courtesy of Stockcharts.com

Fig. 21

The strategy to trade the Squeeze entry signal is as easy as this. Enter on the +DI confirmation and exit either on a stop of PPO cross down or when it hits your profit target.

So What's Up With the ADX Indicator That is on Top of the PPO?

I wanted to share with you the full indicator set-up. The second ADX indicator is used along with the PPO to point out short (Put) entries.

Short entries create a pattern that is as clear as the Squeeze to see and trade. It is different but as recognizable. Space in this e-book doesn't allow for full details but the patterns are fully illustrated and discussed in the main PEP strategy manual.

PEP Strategy and Chatroom

The PEP strategy covers 6 day-tradeable or short-term patterns (3 long and 3 short). In addition to the strategy manual, there is a dedicated member chatroom where specific trades are posted as they happen so that you can follow along, enter and exit, as you learn and hang out with trading friends who are interested in the same type of fast pace trades.

If you have never participated or considered the benefits of a trading chatroom some of the advantages are listed below.

- * Live trading room environment
- * Participate in trades as they happen

- * Trade candidates presented at opportune trade moment. Find the hottest stocks on the move.
- * Trades presented with highest probability set-ups
- * Questions and answers with experts

- * Individual trader selects their total investment based on their individual trade account balance and risk tolerance and participate in as few or as many of the trades as they like.
- * Learn pattern recognition, pivot points, Fibonacci trading
- * Powerful set-ups that are easy to learn and repeat each day
- * Take control of your own financial future
- * Support for traders who are new to investing
- * Renewed confidence for those recovering from a bad trading experience
- * Recovery from trade-burnout

- * Resources that reinforce learning levels
- * Bi-monthly Newsletter/Videos
- * Free content (beginner's classes, newsletter, trader mindset)
- * Member's only content
- * Trading is a business. The live chatroom is like showing up at office to take care of business.
- * Calendar of events- economic reports, scheduled news
- * Encourages members to stick to trading plan
- * Courage to pull the trigger
- * Live charts on your monitor

Further information on the PEP strategy program, membership chatroom and other strategy books and their candidate newsletters can be obtained by calling 1/888/233-1431.

On the other hand, if you are using another teaching-trader's strategy, you will most likely be able to adapt the PEP Squeeze pattern information to what you are already using to trade.

The trading opportunity that this easy to read pattern provides is a superb gift to small retail traders, especially when it comes to being able to trade options on the more expensive stocks.

I wish you trading success and financial independence!

Wendy Kirkland